

**VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY
BLACKSBURG, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2000**



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October 10, 2000

The Honorable James S. Gilmore III
Governor of Virginia

The Honorable Vincent F. Callahan, Jr., Chairman
Chairman, Joint Legislative Audit
and Review Commission

Dr. Charles W. Steger
President, Virginia Polytechnic
Institute and State University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have audited the financial statements of **Virginia Polytechnic Institute and State University** (the University) as of and for the year ended June 30, 2000, and have issued our unqualified report thereon dated October 10, 2000. At the request of the President of the University, we have also performed certain agreed-upon procedures to the University's Intercollegiate Athletic Programs for the fiscal year ended June 30, 2000, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This review to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (the Schedule) for the year ended June 30, 2000, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the

accounting records. We noted no differences between the amounts in the Athletics Department's accounts in the accounting records and the amounts on the worksheets.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Virginia Tech Foundation, Incorporated, an affiliated organization, and the Virginia Tech Athletic Fund, Incorporated, a booster organization, we noted no individual contribution that constituted more than ten percent of total contributions received for Intercollegiate Athletics.

Because the above procedures "a" through "c" do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the University's Intercollegiate Athletic Programs in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of University or its Intercollegiate Athletic Programs taken as a whole.

Internal Control Structure Policies and Procedures Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures

The management of Virginia Polytechnic Institute and State University is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the

use of internal audit in the department, competence of personnel, and protection of records and equipment.

- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the University's financial statements. Our review also included those controls unique to Intercollegiate Athletics, which have not been reviewed in connection with the audit of the financial statements.
- f. We reviewed the University's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on internal control of Virginia Polytechnic Institute and State University in effect for the year ended June 30, 2000, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the University.

This report is intended solely for the information and use of University and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

JEG:whb
whb:48

SCHEDULE

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENDITURES
OF INTERCOLLEGIATE ATHLETIC PROGRAMS
For the Year Ended June 30, 2000

	Football	Men's Basketball	Women's Basketball
Operating revenues:			
Ticket sales	\$ 5,469,529	\$ 490,461	\$ 154,454
TV and radio	1,813,728	163,661	40,915
Program sales	15,166	2,260	1,182
Advertising	103,559	27,616	6,904
Gifts:			
Unrestricted	246,712	42,221	109,390
Restricted - scholarship support	1,292,031	236,037	270,400
Restricted - other	318,600	-	-
Student activity fees	-	-	-
Concessions	211,636	34,857	30,155
Investment income	-	-	-
Conference allocation	2,000,000	19,000	4,000
NCAA allocation	-	-	-
Lease assessments	-	-	-
Parking	177,690	-	-
Other income	41,963	-	-
Bowl Game/NCAA revenue	3,905,200	-	16,971
Total operating revenues	15,595,814	1,016,113	634,371
Operating expenditures:			
Coaches' salaries	1,658,204	546,448	329,400
Other salaries	463,466	108,359	103,433
Fringe benefits	327,887	119,113	78,812
Travel:			
Team	1,222,387	139,377	144,274
Recruiting	131,927	54,900	43,092
Administrative	257,447	5,695	9,350
Game settlements	950,000	53,760	-
Conference fee	-	-	-
Financial aid	1,335,407	243,962	279,478
University administrative fee (Note 5)	-	-	-
Repairs, maintenance, equipment and supplies	960,328	105,248	44,462
Game officials	54,432	52,596	47,343
Insurance	5,000	-	-
Printing, photography, and subscriptions	93,615	21,371	15,424
Telecommunications	103,182	40,853	39,910
Publicity	227,788	88,857	60,196
Game operations	93,079	3,614	6,875
Medical	34,262	5,246	6,358
Other	1,225,463	77,936	61,502
Total operating expenditures	9,143,874	1,667,335	1,269,909
Excess (deficiency) of revenues over (under) expenditures for the year	6,451,940	(651,222)	(635,538)
Transfers to plant funds for capital improvements	-	-	-
Excess (deficiency) of revenues over (under) expenditures and transfers for the year	\$ 6,451,940	\$ (651,222)	\$ (635,538)

The accompanying Notes to the Schedule of Revenues and Expenditures
of Intercollegiate Athletic Programs are an integral part of this Schedule.

Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
\$ 5,994	\$ 350	\$ -	\$ 6,120,788
-	-	-	2,018,304
-	-	201,105	219,713
-	-	-	138,079
117,535	87,844	318,098	921,800
500,368	860,831	116,343	3,276,010
-	100,000	-	418,600
-	1,970,884	3,688,834	5,659,718
-	-	-	276,648
-	-	334,301	334,301
10,500	-	-	2,033,500
-	-	117,422	117,422
-	-	423,571	423,571
-	-	-	177,690
-	-	131,221	173,184
3,951	-	-	3,926,122
638,348	3,019,909	5,330,895	26,235,450
449,031	457,721	178,070	3,618,874
15,618	16,842	2,187,936	2,895,654
127,515	126,436	544,994	1,324,757
286,524	303,148	21,143	2,116,853
34,589	60,512	-	325,020
10,176	13,770	131,063	427,501
-	-	-	1,003,760
-	-	200,000	200,000
517,167	1,269,408	120,248	3,765,670
-	-	840,150	840,150
224,588	217,568	904,125	2,456,319
22,112	24,822	-	201,305
-	-	139,607	144,607
4,112	1,061	139,090	274,673
23,160	26,861	124,089	358,055
7,125	12,477	81,925	478,368
7,379	6,474	1,821	119,242
25,536	27,735	29,556	128,693
83,593	92,076	361,041	1,901,611
1,838,225	2,656,911	6,004,858	22,581,112
(1,199,877)	362,998	(673,963)	3,654,338
-	-	1,775,488	1,775,488
\$ (1,199,877)	\$ 362,998	\$ (2,449,451)	\$ 1,878,850

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES OF
INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2000

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of current funds revenues and expenditures of the intercollegiate athletic programs of the University for the year ended June 30, 2000. The Schedule includes those intercollegiate athletics revenues and expenditures made in behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or current funds revenues and other additions, expenditures and other deductions for the year then ended. Revenues and expenditures directly identifiable with each category of sport presented are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The University received \$4,028,188 from the Virginia Tech Foundation, Incorporated. Approximately \$3,010,656 of these funds were for grant-in-aid scholarships for student-athletes. These contributions are included in the accompanying schedule.

3. OBLIGATIONS

The Athletic Department had an outstanding installment purchase agreement at June 30, 2000, for copier equipment with an outstanding principal balance of \$11,569 and interest balance of \$338.

The Athletic Department canceled the football games scheduled with James Madison University through 1999. The contract settlement requires a payment of \$25,000 to James Madison University on March 31 of 2004.

4. BONDS PAYABLE

In October 1996, two revenue bonds totaling \$9,790,000 were issued for the Athletic Department. A \$6,250,000 bond for athletic facility improvements will be repaid with general operating revenues through 2016. Also, a \$3,540,000 bond was issued for the Merryman Athletic facility. This bond will be repaid with private fund raising by the University through 2004.

5. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. During the fiscal year, the Department paid \$840,150 that is recorded as Non-Program Specific.

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia

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